

MAPHUMULO MUNICIPALITY



DRAFT BUDGET 2012/2013

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MAYOR'S REPORT

It is with great pleasure that I present the draft annual Budget on the activities of the Maphumulo Local Municipality for the financial year 1 July 2012 to 30 June 2013. The strategic priorities for the Maphumulo Local Municipality are set out in the integrated Development Plan (IDP), which was reviewed for the financial year 2011/12 and will be revised every year as prescribed by legislation. The IDP is the core document against which the Municipality's performance was measured in this Annual Report.

In order to ensure continuous and sustained development and service delivery within the municipal area, Maphumulo Municipality identified a few programs and projects that constituted the municipalities focus areas during the year under review. These programs and projects fall under one or another of the national key performance areas for local government. The integration of these programs and projects was pursued during this planning and alignment cycle.

The following are the key performance areas (KPA's) that informed our programs and projects for the financial year 2012/13

- KPA 1: Institutional Development and Transformation
- KPA 2: Infrastructure Development and Service Delivery
- KPA 3: Financial Viability and Management
- KPA 4: Social and Local Economic Development
- KPA 5: Good Governance and Public Participation.

The Municipality adopted a Vision and Mission that will provide direction for the municipality. Under the leadership of me and the Municipal Manager and the Executive Committee, much progress has been made to accelerate service delivery in the municipal area. We are, therefore proud to present the achievements and challenges in this report in both financial and non-financial terms.

RESOLUTIONS

It is recommended that Full Council:

- approve the annual budget for 2012/13 of the Municipality
- approve all proposed rates, taxes and tariffs for services provided by the municipality
- approve the measurable performance objectives for the draft budget for each year of the medium term revenue and expenditure framework
- approve the transfer of funds to a separate bank account for purposes contemplated in section 12 of the Act; and
- approve all the draft budget-related policies or amendments to such policies

EXECUTIVE SUMMARY

BACKGROUND

We are once again preparing our budget for the upcoming year. As much as we try our level best to come up with other forms of generating income we are still very much dependent on grants. The main reason for this is that more than 90% of Maphumulo Municipality's land belongs Ingonyama trust and therefore there are limited funds that are generated from property rates. There is worsened by the fact that Maphumulo is rural and therefore there are limited initiatives that can be put into place to find other methods of generating income. We are in the process of developing our town and we believe that once this has been done. Section 21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with coordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting officer, as per S68 of the MFMA, is required to assist the mayor in developing and implementing the budgetary process.

When drafting this budget, consideration was given to Section 18 of the MFMA which states that:

"An annual budget may only be funded from:

- a) Realistically anticipated revenues to be collected;*
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and*
 - c) Borrowed funds, but only for the capital budget referred to in section 17(2)*
- (2) Revenue projections in the budget must be realistic, taking into account*
- a) Projected revenue for the current year based on collection levels to date; and*
 - b) Actual revenue collected in previous financial years."*

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA requires that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable.

The draft budget was prepared in accordance to the National Treasury's content and format as contained in circulars 28, 42 and 45. The two concepts considered were:

- 1) That the budget must be funded according to S18 of the MFMA (as mentioned above), and
- 2) That the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality
- Is achievable in terms of agreed service delivery and performance targets
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

The draft budget was also drafted taking into consideration the guidelines outlined in MFMA Circular 54, 55 & 58, Municipal Budget Circular for the 2011/12 MTREF.

CONSULTATIVE PROCESS

As mentioned above, the IDP informs the budget. Various public meetings have been held and input has been gained from these meeting to compile a draft IDP. Projects identified in the 2011/12 IDP that have not yet been started, have also been included in the draft budget. Also, strategic workshops have been held with political stakeholders to identify needs in the various wards that would be included in the IDP. These needs were prioritized and have been included in the draft 2012/13 budget.

LEVELS OF RATES AND OTHER FEES AND CHARGES

RATES

The Municipality had implemented the Municipal Property Rates Act (MPRA). This came into effect on the 1st of July 2009. The implementation of this policy included the revaluation of properties to market related values. Due to the high rate of rates there is no increase in rates. Many of the queries and values are resolved and property values adjusted, however, some consumers still refuse to accept the new rates chargeable.

SUMMARY

Increase in tariffs:

- Property Rates Charges > has not changed except for phasing inn which is 0%
- Rent 10%
- Hire Charges 10%
- Other Services 10%

FISCAL STRATEGY, FINANCIAL POSITION, CONSTRAINTS, ONGOING VAIBILITY AND SUSTAINABILITY

The Maphumulo Municipality has identified the need of linking the IDP to a workable financial plan. Development of this plan is important to:

- _ Ensure a close planning and budgeting link
- _ Inform municipal budgeting over tier
- _ Facilitate inter-governmental alignment with regard to capital requirements and sources of funding
- _ Assess financial management arrangement and financial strategy; and
- _ Outline revenue and expenditure forecast.

This financial plan also addresses the following important issues:

- _ Establishing financial management systems and efficient, effective internal audit systems
- _ Funding availability over a 3-5 year planning period

The Municipality believes that the forward planning, proper controls and good budgeting will enable it to continue with its financial plan and will ensure financial stability.

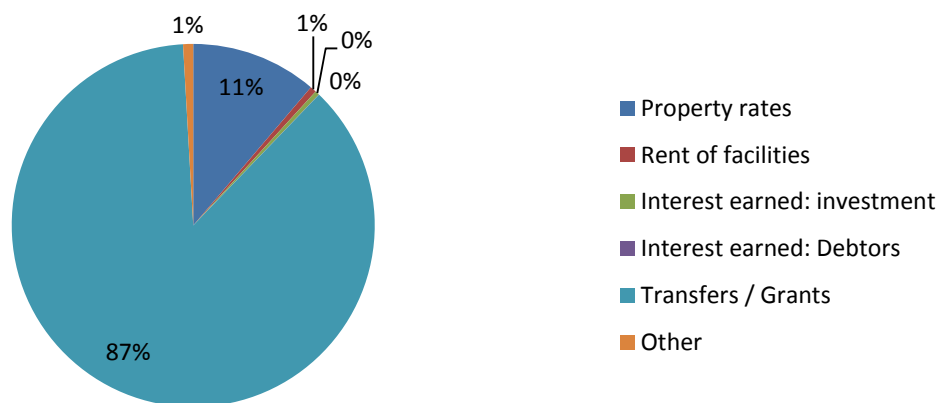
HIGHLIGHTS FROM THE BUDGET

OPERATING BUDGET

The total operating income reported in the draft operating budget, including operating and capital grants, is R106, 818,522. The total operating expenditure is estimated to be R67, 333,898. The net operating surplus is estimated to be R39, 484,623. Below is a summary of the total income received?

Description	Amount
Property rates	11,997,400.00
Rent of facilities	605,000.00
Interest earned: investment	400,000.00
Interest earned: Debtors	33,065.61
Transfers / Grants	92,823,785.10
Other	959,271.51

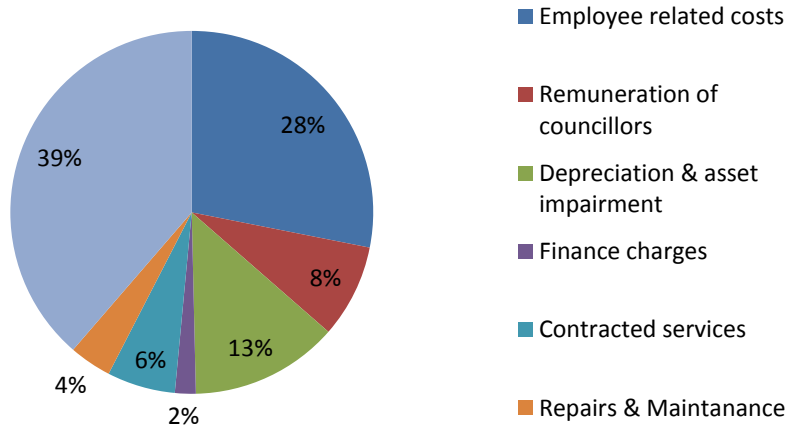
OPERATING REVENUE



Operating expenditure is summarized as follows:

Description	Amount
Employee related costs	18,931,906.96
Remuneration of councillors	5,601,778.46
Depreciation & asset impairment	8,888,263.00
Finance charges	1,253,103.20
Contracted services	4,090,215.43
Repairs & Maintanance	2,534,846.13
Other expenditure	26,033,785.70

OPERATING EXPENDITURE



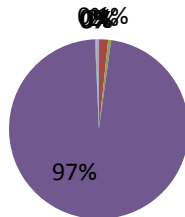
CAPITAL EXPENDITURE

Total capital expenditure is estimated to be R44 317 000. It is apportioned to the seven business units as follows:

Description	Amount
Executive & Council	20,000
Corporate Services	720,000.00
Finance	230,000.00
Technical Services	43,057,000.00
Community services	45,000.00
Human settlement	55,000.00
Planning Development	210,000.00

CAPITAL EXPENDITURE

■ Executive & Council ■ Corporate Services ■ Finance
■ Technical Services ■ Community services ■ Human settlement
■ Planning Development



GRANT ALLOCATIONS

GRANTS	BUDGET 12/13	BUDGET 13/14	BUDGET 14/15
<u>National Government</u>			
Equitable share	48,830,000.00	52,838,000.00	57,111,000.00
Finance Management grant	1,500,000.00	1,750,000.00	1,750,000.00
Municipal System Improvement grant	800,000.00	900,000.00	950,000.00
Municipal Infrastructure grant	20,477,000.00	21,601,000.00	22,850,000.00
Integrated National Electrification Programme	6,000,000.00	9,000,000.00	10,000,000.00
	77,607,000.00	86,089,000.00	92,661,000.00
<u>Provincial Government</u>			
Community library services		85,000.00	90,000.00
Provincialisation of libraries		514,000.00	542,000.00
Community participation : IDP	200,000	200,000	300,000
	200,000	799,000.00	932,000.00

EXPENDITURE ON GRANT ALLOCATIONS

Municipal Infrastructure Grant

This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The largest infrastructure transfers are through the MIG, which supports government's objective of expanding service delivery and alleviating poverty. The MIG funds the provision of infrastructure to provide basic services, roads and social infrastructure for poor households in all municipalities. MIG will be used to finance all the projects that are approved by COTGA. Below are the prioritized projects:

LIST OF PROPOSED PROJECTS

2012/13

NAME OF PROJECTS	TOTAL	11/12 FY	12/13 FY	13/14 FY	14/15 FY
Construction of Town Hall	4,998,987.78				
Ntunjambili Roads	15,705,900.01	1,158,108.52	3,700,000.00	3,171,756.49	5,850,000.00
Fundani Gravel Road	7,602,167.04	6,590,461.86	731,625.34		
Mbusweni Road	6,055,006.26		2,845,374.66	3,024,118.45	
Samungu Road	8,844,879.73	2,788,796.01	5,000,000.00	784,529.41	
Mambulu Road	8,440,742.40			2,185,621.80	4,000,000.00
Emnyameni Sports Complex	15,988,498.86	1,220,240.00	5,700,000.00	5,821,448.86	3,000,000.00
Tunnel Farming	6,982,199.06			3,776,248.87	3,000,000.00
Phase 2, 3, and 4 - Khatha Road	21,465,422.37		2,500,000.00	2,837,276.12	7,000,000.00
Ablution Blocks in Town Centre	1,116,411.02				
TOTAL AMOUNT	97,200,214.53	11,757,606.39	20,477,000.00	21,601,000.00	22,850,000.00

SMALL TOWN REHABILITATION					
NAME OF PROJECTS	TOTAL	11/12 FY	12/13 FY	13/14 FY	14/15 FY
Maphumulo Taxi Rank	8,689,723.42	4,300,000.00	4,400,000.00		
Phase 2 - Construction of Si	7,800,000.00		7,800,000.00		
	16,489,723.42	4,300,000.00	12,200,000.00	-	-

CORRIDOR DEVELOPMENT					
NAME OF PROJECTS	TOTAL	11/12 FY	12/13 FY	13/14 FY	14/15 FY
KWASHUSHU ROAD WITH FOOT BRIDGE			9,000,000.00		

FINANCE MANAGEMENT GRANT

To secure sound and sustainable management of the fiscal and financial affairs of municipalities. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in municipalities, the grant provides funding for water and energy internship programme to graduates in selected water boards and municipalities. This grant is also used to appoint interns, pay Internal Audit unit, utilize funding to support the training of municipal officials in financial management reforms, preparation and submission of annual financial statements for audits and implement changes required to address audit findings, provide technical support to municipalities in financial management and the transference of skills to municipal officials. Where appropriate, the preparation of a financial recovery plan and the implementation thereof. Transfers will be dependent on timely reporting and appropriate spending levels.

MUNICIPAL SYSTEM IMPROVEMENT GRANT

To assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME

To reduce the backlogs of un-electrified households and clinics. Funding of bulk infrastructure to ensure constant supply of electricity. To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. The backlogs are as follows:

ASSUMPTIONS

It is assumed that 95% of rates and other services will be collected including interest received.

CONCLUSION

The annual budget for the 2012/13 financial year was based on realistic incomes and expenditure of the municipality. Working together with the community, the Municipality can achieve the projected results.

ANNUAL BUDGET TABLES

PART 2

SUPPORTING

DOCUMENTS

BUDGET PROCESS OVERVIEW

POLITICAL OVERSIGHT OF THE BUDGET PROCESS

As per the MFMA, the Mayor is tasked with co-ordinating the processes for preparing the annual budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Mayor provides political guidance to the whole budgeting process. From the preparation of the IDP, in which councilors play a key role, to the drafting of the budget, the needs of the people must be met and this is driven by the Mayor, councilors and the management team of the Municipality.

QUALITY CERTIFICATE

I, Mr. NM Mkhize, the acting Municipal Manager of Maphumulo Municipality, hereby certify that the 2012/13 draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2012/13 draft budget and the supporting documentation are consistent with the Integrated Development Plan of the municipality.

Name: Mr. NM Mkhize

Municipal Manager of Maphumulo Municipality, KZ294

Signature: _____

Date: _____